



Austin City Manager Cronk's FY2020 Budget Message
(as prepared)

LifeWorks Sooch Foundation Youth and Family Resource Center
August 5, 2019

Thank you, Lyric, for sharing your experience with all of us. Your dedication to advocating for young adults and youth is inspiring. As a young entrepreneur, you are inspiring others to live their dreams every day. Our community is stronger because of you.

Thank you also to Susan McDowell, Chief Executive Officer at LifeWorks, and her team for making this opportunity possible today. I am thrilled to be speaking to you all here at this LifeWorks facility. The City has a long-standing relationship with this organization, which has worked admirably for two decades to serve youth and young families seeking self-sufficiency in our community.

Partly as a result of the City's investment, LifeWorks has been able to finance two transitional housing developments located right where we are today. These affordable units help youth and young families between the ages of 16 and 26—some of whom have experienced homelessness. As they transition into adulthood from challenging circumstances, these young people are earning incomes well below our City's median level. But with LifeWorks' and our City's support, they are exiting foster care, moving into their first apartments, and beginning their journey to independence. In 2018 alone, LifeWorks provided counseling, job skills training, and housing to more than 5,200 central Texas youth and young families. Each of LifeWorks' 21 programs, complemented by their collaborative research and advocacy efforts, have helped promote self-sufficiency for many of our most deserving young people. Later on, I hope you will join the tour of this facility so you can see our investment at work with your own eyes. City partnerships with front-line organizations like LifeWorks are critical to helping Austin address community challenges in the most effective and fiscally responsible way.

Before going any further, I'd like to take a moment to recognize our City Council. Mayor Adler, Mayor Pro Tem Garza, and City Council Members, it is through your combined vision and leadership on key City issues, your guidance on our strategic priorities, your tireless work ethic, and your selfless commitment to our community that Austin continues to be seen as one of the most livable cities in the nation. I can't stress enough how important your support and guidance in setting our strategic priorities have been to me over the past eighteen months. Please join me in thanking them for their service to the City.

And now distinguished guests, it is my distinct pleasure to present to you the City of Austin's proposed budget for the 2020 Fiscal Year.

Council, last year, with your guidance and leadership, we adopted a transformational budget that dramatically realigned the City's resources with the vision and values you set forth in Strategic Direction 2023. We made a fundamental shift in how we think about the budget process. By placing your priorities at the center of the discussion and by collaborating more closely and earlier in the process than ever before with the City's Quality of Life Commissions, we were able to begin tackling some of our community's most pressing equity imbalances. This year, our mission is to build on these successes while at the same time bracing the City's budget against the future impacts of the State's decision to lower the cap on local property tax revenue growth.

In anticipation of this constraint on local tax revenues, I took immediate action following the passage of last year's budget by directing financial staff and department directors to "hold the line" on budget increases for fiscal year 2020 wherever possible. In addition, I asked all departments to redouble their efforts at improving operational efficiency, continue to refine their programs to better align with the outcome goals and metrics of Strategic Direction 2023, and to increase the equity of City service delivery. Finally, to the extent that departments had unbudgeted needs, I asked that they look for opportunities to meet those needs by reprioritizing existing budgetary resources as opposed to seeking new funding. I'm proud to say that as a result of the hard work and dedication of City staff, the budget being presented today accomplishes all this and more.

I am also proud to acknowledge the unprecedented level of collaboration we had this year with our Boards and Commissions. Our budget engagement process started much earlier than usual and focused heavily on soliciting feedback from our Boards and Commissions on ways to improve quality and increase equity across the full spectrum of City services. City staff collaborated on nine community forums hosted by our Joint Inclusion Committee members, and ultimately received more than 80 distinct recommendations from 21 commissions, including 50 recommendations from our equity-focused commissions alone.

I want to thank all of the Board and Commission members who took the time to attend meetings with City staff, provided input on the budget process, and offered so many well-considered recommendations. Please stand or raise your hand to be recognized if you volunteer your time to serve on a city board or commission. Thank you for your service, your expertise, and your commitment to making Austin a better and more welcoming place for all. Working with you so much earlier in the process gave us the opportunity to more fully evaluate and consider your recommendations for inclusion in the budget being presented to you today. I know without a doubt that it is a far stronger, more thoughtful, and more equitable Budget as a result of your extensive contributions.

As you know, we have a proud history of maintaining a structurally balanced budget. In fact, it is a value so fundamental to Austin that it is written into our City Charter. We have consistently prized fiscal responsibility with respect to both general fund and enterprise department budget increases each year, which has enabled us to continually improve our service delivery for a growing population while keeping the cost to our residents as low as possible. The balanced budget presented to you today honors these principles, limiting the year-over-year increase in the combined tax and utility bill for a typical Austinite to 2.5% while providing an across the board cost-of-living increase for our City employees with no increase in their insurance premiums.

Looking ahead to future years, I am resolute in maintaining our long-standing commitment to balanced budgeting. But recent action by the State legislature will make this task far more difficult. Simply put, by dramatically reducing the level of funding that our City can receive from property taxes, the new revenue cap will make it more difficult for the City to fund our community's core priorities. It will be harder for us to add the additional police, fire, and other personnel we will need as our City continues to grow. It will be more challenging for us to absorb annual cost increases in wages, rent, and insurance premiums. And it will be especially difficult for us to maintain our current pace of progress on expanding access to opportunity and achieving more equitable outcomes for all of our community members.

Although the new revenue cap does not formally bind us until next fiscal year, its implications loom over our crafting of the fiscal year 2020 budget. We have an important and difficult choice before us: Do we propose a more modest increase in tax revenues this year, as we did last year, and forego tens

of millions of dollars of future revenue as the lower cap kicks in? Or do we go to the full rollback threshold and thereby better position the City to contend with the financial challenges ahead?

As illustrated by the graphic displayed on the screens to your left, we could balance our fiscal year 2020 budget for our base, ongoing expenditures at a tax rate below the rollback threshold. In doing so, the owner of a median valued home would save about \$2.50 a month. But these nominal individual savings would come at a severe cost to our community as a whole. Not only would we give up over 15 million dollars in fiscal year 2020 that could fund one-time investments in our critical shared priorities, we would forego the ability to leverage almost 70 million dollars over the following four years. We would begin experiencing serious budget shortfalls as early as next year and our structural deficit in fiscal year 2024 would balloon to nearly 46 million dollars—and that’s after accounting only for base cost drivers and public safety needs.

Therefore, I am proposing a different path, a budget that makes the most fiscally responsible choice by setting the tax rate at the rollback threshold. The resulting additional revenue will enable us to make substantial one-time investments in two of our highest-priority strategic areas: Housing and Homelessness. By making these critical investments on a one-time basis, we avoid adding to our structural imbalance in future years while at the same time placing our budget in the strongest possible financial position prior to the arrival of lower revenue caps. As you can see in the graphic now on the screens, by taking this approach the budget gap that had been projected for fiscal year 2021 goes away and the gap in fiscal year 2024 has been cut to 27 million dollars—not yet in balance, but certainly making progress.

Let me now shift our focus to what we can look forward to achieving in the coming year, with this budget, because we have a lot to be optimistic about. In keeping with the Strategic Direction framework established last year, we have aimed investments in this budget primarily at continuing to move the needle on the “top ten” indicators you, as a Council, identified.

With respect to the **Economic Opportunity and Affordability outcome**, you have given clear and consistent direction that ending homelessness is your top priority. We have responded to this direction with a budget that makes a historic commitment to achieving this moral imperative. As part of the total 876 million dollars budgeted for this outcome area, Citywide spending on homelessness-related services, support, and facilities will increase to nearly 63 million dollars—this is 17 million dollars more than in the current year and almost three times greater than in the first budget approved by the 10-1 City Council four years ago.

In recent years, Austin and its partners have made progress toward the goal of ending homelessness in our community. The Ending Community Homelessness Coalition’s most recent count revealed a 25% year-over-year reduction in youth homelessness and a 15% reduction in veteran homelessness. These results are especially significant given that over the same time, the City’s population as a whole increased by more than 21%. However, the Coalition’s count does show a clear and troubling upward trend in the number of people experiencing homelessness over the past five years.

To reverse this trend, I propose that we leverage the additional fifteen million dollars of one-time revenue available at the rollback rate to make transformative investments to our homelessness-services infrastructure. First, I am proposing to more than *double* the transfer to the Housing Trust Fund, for a total investment of 14.4 million dollars this year. Of the 7.7-million-dollar one-time influx of funding, five million will be invested in the development of permanent supportive housing units and 2.7 million will provide legal and other services to tenants at risk of displacement or eviction, helping to ensure that fewer and fewer Austin residents ever have to experience homelessness in the first place. Secondly, I am fully

funding the remaining 4.8-million-dollar commitment we have made to the Pay for Success program, which works toward the goal to end homelessness by connecting people to affordable living arrangements and the support services they need to stay in their homes. This brings the City's total investment in this innovative new service model to 6 million dollars. Next, I am earmarking 1.5 million dollars for the Salvation Army in support of the opening of the Rathgeber Center and another 1.3 million dollars for much-needed facility upgrades at the Austin Resource Center for the Homeless. Finally, Council, you have asked staff to return to you soon with recommendations about how to refine the City's response to the public encampment question. While this work is ongoing, I am reserving 1.5 million dollars to help implement the solution we eventually arrive at together.

This budget also includes funding for the operation of the new South Austin Shelter and Services Center, the purchase of which you approved in June. At full capacity, this facility will provide 100 beds to people experiencing homelessness, which in addition to new beds at the Rathgeber Center brings the total number of emergency shelter beds supported in this budget to 967.

Moving to our **Health and the Environment** outcome, our primary goals here center on improving **accessibility to health services**, bolstering our **resilience to climate change**, and expanding **accessibility to recreation, parks, and trails**. I am proposing that in the coming year we devote almost 550 million dollars to this outcome. This includes over four million dollars to maintain our pools, an asset that is essential to our identity as Austinites, the addition of one million dollars to run the new Montopolis Recreation and Community Center that will be opening next summer, nearly 800,000 dollars in grant and one-time funding focused on tackling the opioid epidemic, and resources to support the final phase of the Curbside Composting Program.

Climate Resilience has long been a major concern for Austin and we are continuing to address these issues with a multi-pronged approach. In accordance with Council direction, the Sustainability Office is developing more detailed climate projections, conducting vulnerability assessments, and coordinating with City departments and regional partners on integrating this data into our planning efforts. This work will culminate next month when you will receive recommendations for creating a comprehensive, community-wide climate resiliency plan.

Initiatives such as Austin Energy's Weatherization Assistance program and Development Services' Heat Island Mitigation program will continue to lessen the impacts of climate change by incentivizing more sustainable behavior. Our continued buyouts of properties that have been engulfed by expanding floodplains and our Get Back in Business program are helping community members recover from the harmful climate effects we are already experiencing. Maintaining resiliency in the face of a rapidly changing climate is by definition a continuous process, but this budget ensures that our City will remain alert to our evolving vulnerabilities and diligent in our efforts to mitigate them.

Within the **Culture and Lifelong Learning** outcome, Council, you have identified our most critical issue as **supporting and maintaining the creative industries** that give Austin its distinct character. This budget proposal invests almost 100 million dollars in Culture and Lifelong Learning, including—thanks to our robust tourist economy—24 million of Hotel Occupancy Tax dollars earmarked for the promotion of arts, culture, and heritage-based tourism and events.

More specifically, I am including 750,000 dollars in funding for The Creative Space Assistance Program. These resources will supplement the 12 million dollars in available bond funding for a community creative center that will host arts-related appreciation, education, and interaction in areas

where such opportunities are currently limited. I think we have all been proud of the success of the equity mini-grants program this year, and, building on this success, I am increasing its funding to 250,000 dollars. Last, but certainly not least, we will begin the planning phase for eagerly anticipated improvements at the Emma S. Barrientos Mexican American Cultural Center.

We are all aware of the challenges Austin faces with regards to **Mobility**. In total, you'll see nearly \$260 million of the operating budget allocated to support our investments in this outcome along with another \$310 million in planned capital spending. We have again targeted these dollars to spur improvement in ensuring the **accessibility and equity of multi-modal transportation choices**. Austin Transportation will devote nearly 47 million in capital investment to reduce the impact of traffic congestion, make our streets safer for pedestrians, provide more transportation choices, and expand the use of alternative fuel vehicles. The Corridor Program Office will continue progress on corridor projects throughout the city that were funded by the 2018 transportation bond, with a particular focus this year on Airport Boulevard. Citywide, Public Works will spend 50 million in capital improvement dollars to make upgrades across the full spectrum of the City's mobility infrastructure, including sidewalks, bikeways, and urban trails in addition to our streets and bridges. Finally, to keep pace with its explosive growth in passenger traffic, Austin Bergstrom International Airport will invest 183 million dollars in capital funds to continue its terminal expansions and break ground on a new administrative office and parking complex.

Moving to our largest outcome, **Safety**, I am proposing total spending of 1.2 billion dollars for fiscal year 2020. Over the past two years, some of our most critical conversations pertaining to the Safety outcome have centered on determining the appropriate levels of police staffing and fire infrastructure. Informed by these conversations, this budget adds 30 new police officers, as called for in the Police Department's staffing plan, and 32 fire fighters and 12 paramedics to staff the new Moore's Crossing fire station, which remains on target to open in June of next year. In support of ensuring the quality of our drinking water, Austin Water will dedicate 1.8 million dollars to water resiliency, combating the zebra mussels in our raw-water infrastructure and improving the taste and smell of treated drinking water. Remaining ever mindful of the danger posed by flooding, Watershed plans to spend nearly 50 million dollars to expand our drainage system and keep it properly functioning, and it will continue its buyout of properties from families catastrophically affected by flooding in the Upper Onion Creek area.

You've identified the **fair administration of justice** as a key point of focus within the Safety outcome. In support of that priority, the budget I am proposing includes funding for 32 victim services counselors to aid victims of crime during their times of greatest need—an increase of 5 counselors over the past two years. Furthermore, an increase of nearly half a million dollars has been included in the budget for our Office of Police Oversight to fund two new positions and to spur improvements in the effectiveness of its community outreach and communications efforts.

Within the final outcome area, **Government That Works For All**, I am proposing over one billion dollars to ensure we continue to perform the City's work in an equitable, ethical, and innovative way. You've asked that we focus particularly on the **condition and quality of our facilities, as well as the effective adoption of technology**. I am recommending an eight million dollar infusion of funding to the Capital Rehabilitation fund to continue eliminating the backlog of deferred maintenance at City facilities, particularly in the Austin Public Health, Parks and Recreation, and Police departments. This investment not only benefits the residents who visit these facilities to access City services, but also the staff who work at these facilities. I'm also adding 6 million dollars to bolster the City's current cybersecurity programs and improve our digital resiliency and an additional 2.7 million dollars to address other concerns identified through audits. Next spring, Municipal Court will begin operations at its newly leased space on Metropolis

Drive. And in June of next year, we will celebrate the opening of the new 122-million-dollar Planning and Development Center.

Collectively, these proposed investments—and the countless more we simply don't have time to address here this afternoon—will bring us closer to our vision of Austin as a beacon of sustainability, social equity and economic opportunity; a place where diversity and creativity are celebrated, where community needs and values are recognized and respected, and where the necessities of life are affordable and accessible to all. Although the daunting challenges posed by the revenue cap are real, we can mitigate much of the damage through careful financial management and by remaining laser focused on our highest community priorities while continuing to create further operational efficiencies. This, in turn, will afford us the time we need to seek new revenue sources and to have the difficult conversations as a community about where services can be reduced or possibly cut. The work we have done during this budget process has already eliminated a projected budget gap in fiscal year 2021 and contributed to a substantial reduction in our projected deficits in future years. While there is much more work to do, we are moving in the right direction.

To prepare for these future conversations, I plan to launch several initiatives intended to help City Council, staff, and our community develop a path to long-term fiscal sustainability in this new era of a three-and-a-half-percent property tax cap.

First, we will establish a process for improving the efficiency and effectiveness of City services by reviewing all existing program expenditures for alignment with Strategic Direction 2023, implementing process improvements for key City programs, partnering with outside experts to conduct efficiency audits of targeted city operations, and gathering and supporting employees' ideas for reducing costs and improving service delivery.

Second, I am launching a comprehensive review of the equity and efficiency of Fire and EMS services including an analysis of dispatch times, station locations, and the timeline for bringing on new stations.

Third, we will seek assistance from outside experts and work closely with our partners at the Police and Employees' Retirement Systems to develop long-term strategies for ensuring their financial health.

Fourth, we will work together to explore opportunities for broadening and increasing General Fund revenues, including the potential for future tax rate elections.

And last, we will establish a Homeless Advisory Council to increase the urgency and efficiency of our response to homelessness. This Council will work to create a performance improvement process to monitor the entire continuum of care for those in our community who are experiencing homelessness and we will contract for a third-party performance review of all of our homelessness service contracts.

I am pleased to announce today that Lori Pampilo Harris will serve as our City's first-ever Homeless Strategy Officer. She will work closely with the new Homeless Advisory Council and lead our approach to coordinating shelter and support services for those experiencing homelessness in a comprehensive and multi-faceted manner. Lori will be moving from Orlando, where she served as Senior Adviser on Homelessness and Social Services for the city. I'm excited for our community to get to know Lori, and I know that she looks forward to working collaboratively with our stakeholders—including Matt Mollica at

ECHO and Dewitt Peart with the Downtown Alliance—as well as so many others. To all of our partners, thank you for your continued dedication and commitment to ending homelessness in Austin—the only way we will be able to house everyone is if we work together.

Over the course of the next year, these proposed initiatives will allow us to look carefully at our own processes and future funding commitments, further improve the efficiency of City operations, and cultivate new revenue sources. Collectively, this work will help us determine how to best avoid long-term structural imbalance in our budget as a result of the property tax cap, while continuing to provide the exemplary services that our community values and expects.

Mayor Adler, Council members, and members of our community—I'm honored to present you with the proposed budget for fiscal year 2020 and I look forward to maintaining a robust and open dialogue as we move forward.

Looking out into this audience today and seeing so many of you that have contributed to the development of this proposed budget, it is clear to me that we will remain steadfast in our commitment to our strategic priorities and goals. Thank you again to LifeWorks for hosting us this afternoon. Partnerships and relationships like the one we've cultivated here are a major key to our success. Thank you again to all of our board and commission members who volunteer countless hours of their time participating in community meetings, providing their feedback and expertise, and helping us communicate with the public about all of our efforts. And of course, thank you Mayor, Mayor Pro Tem, and Council Members for your leadership. I am confident that together we can meet the needs of our community, not only this year but in the years to come.

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